



CPP contributions are generally deducted at the source of your paycheque so that you don't need to submit the mandatory contributions yourself. Contributions are based on a percentage of your maximum pensionable income, which both change from year to year. For 2016, for example, the maximum pensionable income is \$54,900, and the portion that can be contributed is 4.95%. In 2016, the finance ministers agreed to expand the CPP. Starting in 2019, minimum employee monthly contributions will go up by \$7, matched by their employer. This will increase to \$34 by 2023. When the implementation is complete, the maximum yearly benefits will rise to \$17,478.



Those with an individual income over the threshold amount of \$73,756 in 2016 are required to repay a portion of their OAS benefits. The repayable amount is 15% of the difference between your income and the threshold amount.

GOVERNMENT BENEFITS

Canada's federal government programs can be an important part of your retirement planning process. Understanding these programs—who is eligible and how much is available—may help inform your decisions about other areas of your retirement income stream.

The two main programs are the Canada Pension Plan (CPP) and the Old Age Security (OAS) pension program.

CPP

The Canada Pension Plan was designed as a mandatory employee/ employer pension contribution. Canadian employees over the age of 18 are obligated to contribute to their CPP fund along with their employer.

In retirement, you receive CPP benefits based on two things:

- 1) the amount of contributions you and your employer(s) have made over the years and;
- 2) your age when you start collecting benefits.



CPP and OAS benefits are indexed to inflation.

HOW MUCH WILL YOU GET?

CPP benefits vary for each individual. For 2016, the maximum monthly CPP benefit is \$1,092.50.

The CPP benefits you receive are based on an average of your CPP contributions from age 18 until you retire, with up to 17% or eight years of your lowest earnings dropped out to bring up your overall average. So if 83% of your overall earnings are over the maximum pensionable amount, you could receive the maximum amount of benefits. You can find out what your CPP contributions have been by contacting Service Canada at 1-800-O-CANADA.

WHEN SHOULD I START COLLECTING CPP?

There is no 'right time' to start collecting CPP benefits as each person's situation is different. But it's important to know the implications of your choice.

To help fortify the CPP coffers, the federal government instated changes to CPP to reward those who start collecting benefits later. You can still start collecting at 65 or even 60, but the size of the benefit goes down the earlier you collect.

If you start receiving CPP at age 60 in 2016, your benefits will be reduced by 0.60% for every month you receive benefits before turning 65, which would create a total reduction in benefits of 36%. However, if you wait to start receiving CPP after age 65,

your benefits can be increased by 0.7 percent for each month that you delay benefits. This means you could increase your monthly benefits by 42% if you wait to age 70.

WHAT HAPPENS TO MY CPP IF I DIE?

The CPP is like most other pensions in that your spouse or dependants under the age of 25 are entitled to some of the benefits after you die. The amount they will receive is dependent on the amount of contributions you have made over your lifetime. It is generally 60% of the benefits you were entitled to, but is adjusted according to the surviving spouse's age and whether or not they are receiving CPP benefits.

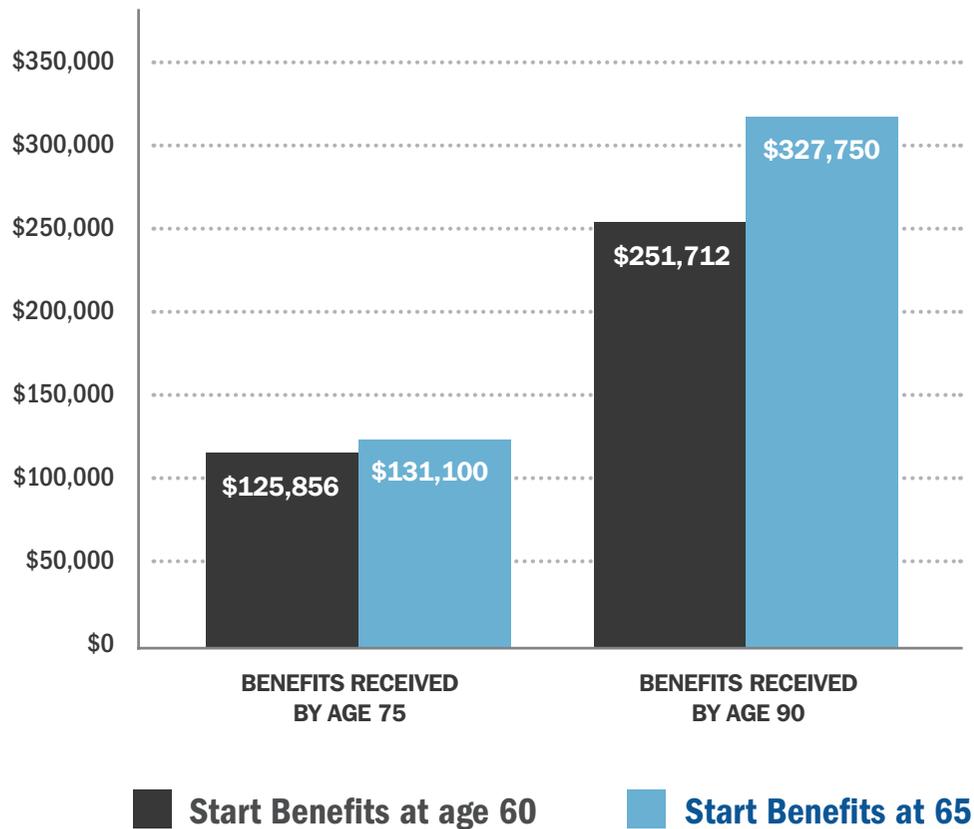
OAS

The Old Age Security pension is available for most eligible Canadians over age 65, regardless of their working history. It is not tied to contributions that you or an employer have made. The pension amount is related to the number of years you have been a Canadian resident, and the other sources of income you are receiving in retirement. Those making an income of over \$73,756 will be required to repay some of their OAS benefits. Those making over \$119,398 are not eligible for OAS. The maximum amount for OAS pension in 2016 is \$570.52 per month.

Like the CPP, you can increase the amount of benefit you receive by delaying the start date of your benefits. For example, if you wait until age 70 instead of 65, your benefit can be 36% higher.

WHEN SHOULD YOU START COLLECTING CPP BENEFITS?

(Based on maximum monthly benefit for 2016)



YEARLY AMOUNTS (AS OF 2016)

- Someone who starts receiving CPP at age 60 will receive maximum annual benefits of \$8390.
 - Someone who starts receiving CPP at age 65 will receive maximum annual benefits of \$13,110.
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BENEFITS RECEIVED BY AGE 75

- Someone who starts withdrawing CPP at age 60 will have received **\$125,856** by the time they reach age 75 (in today's dollars).
 - Someone who starts withdrawing CPP at age 65 will have received **\$131,100** by the time they reach age 75 (in today's dollars).
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BENEFITS RECEIVED BY AGE 90

- Someone who starts withdrawing CPP at age 60 will have received **\$251,712** by the time they reach age 90 (in today's dollars).
- Someone who starts withdrawing CPP at age 65 will have received **\$327,750** by the time they reach age 90 (in today's dollars).